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SUBJECT: SCANDAL INDICTMENTS AGAINST EX-OFFICIALS SEEN AS A STEP AGAINST IMPUNITY

REF: A. 06 BRASILIA 1996

- [¶B.](#) 06 BRASILIA 2027
- [¶C.](#) 06 BRASILIA 2064
- [¶D.](#) 06 BRASILIA 2246

¶11. (U) Summary. In rulings seen by Brazilians as an important step forward in countering impunity, the Brazilian Supreme Court has allowed prosecution to proceed against all 40 individuals accused in the "mensalao" ("monthly payola") political scandal that rocked the Lula presidency in 2005. In hearings and multiple rulings over several days, concluding on August 28, the Court ruled against former presidential palace minister Jose Dirceu, along with former senior Workers Party (PT) officials and current and former federal deputies from five parties in the government coalition. A blow to the PT and President Luiz Inacio Lula da Silva (Lula), the decisions ensure that a series of long-lasting high profile court cases will keep the mensalao and its defendants in the news for a long time - probably into the 2010 national elections cycle. Although President Lula has always escaped incrimination in the scandal and his personal popularity remains high, many Brazilians believe he approved the illegal congressional vote-buying scheme. With convictions widely expected, the Supreme Court's image and reputation are now also at stake before the public. End summary.

¶12. (U) The mensalao, which broke two years ago with revelations of PT payoffs to congressmen in exchange for their votes on key legislation, reached a turning point in a week of hearings in which the Supreme Court (Supremo Tribunal Federal), issued multiple rulings that put all 40 of the accused in the defendant's dock. Jose Dirceu, chief of the Civil Household during Lula's first term; Delubio Soares, former PT treasurer; Jose Genoino, former PT president and a sitting federal deputy; Silvio Pereira, former PT executive secretary; Marcos Valerio, a publicist who handled financial

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transactions; Roberto Jefferson, the former federal deputy who revealed the vote-buying scheme; Anderson Adauto, former Transportation Minister; Luiz Gushiken, former Government Communications Secretary; and a number of current and former federal deputies now face multiple charges that include embezzlement, active and passive corruption, undeclared international financial transactions, money laundering, and fraudulent public administration. The most dramatic aspect) and potentially the most politically damaging) was the

Court's unanimous acceptance of rapporteur Judge Joaquim Barbosa's recommendation that Dirceu, Soares, Genoino, and Pereira be charged with forming a criminal gang.

¶13. (SBU) The trials could take three years, according to Marco Aurelio Mello, one of the STF judges. In conversations with poloffs, political analysts and a judge agreed that a "short" three-year process was likely. Moreover, the PT may push for early verdicts, as a three-year process would have verdicts being handed down during the final stretch of the presidential campaign.

¶14. (U) The Court has tried political corruption cases before, but it has never convicted anyone. This time, however, even though Lula appointed seven of the eleven judges, many informed observers expect convictions. During the hearings last week, a photo scoop by a photographer from O Globo, a leading national daily, revealed an embarrassing instant message thread between two judges. The revelation was a wake-up call for the Court. The judges apparently were in violation of rules prohibiting prior discussion and agreement on decisions. As a result of the slip and the high profile of the case there is a sense here that the Court itself is on trial before the public.

¶15. (SBU) Comment: The Court's decision to go ahead with prosecution guarantees years of mensalao trial reporting, a constant reminder to the public that the leaders of the PT -- which once touted itself as untainted by corruption -- conceived and carried out a massive, multi-million dollar congressional vote-buying scheme. While the scandal did not affect Lula's re-election last year (refs A, B, C, and D) and he remains personally popular, the trials will be a thorn in the government's and the PT's side, and could hurt the PT in October 2008 municipal and state elections and October 2010 national elections, heralding a change in public expectations

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of politicians and the courts. In a country where impunity is considered one of the top social evils, contributing to the high crime rate and tolerance for political corruption, convictions in the mensalao trials could also increase public confidence in the courts, and would be widely seen as a legal and political watershed.

Chicola